

WASHINGTON POST
13 April 1984

CIA Funds Run Short For Covert Operations

By Bob Woodward
Washington Post Staff Writer

The operations arm of the CIA that oversees its secret war against the leftist Sandinista government of Nicaragua has been notified that money for the program could run out next week, perhaps as soon as Sunday, and steps should be taken to begin disengagement, senior administration sources said yesterday.

Congressional Democrats, reacting to news reports about direct CIA involvement in the mining of several Nicaraguan harbors, have predicted that the House will refuse to approve \$21 million President Reagan has requested to continue the covert operation.

Republican members of Congress and administration officials said they still hope to win approval of the funding after next week's congressional recess.

The CIA-supported "Contra" guerrillas still may have enough money to operate for several more weeks, but \$22 million of the current \$24 million for their support was spent by the end of last month, the sources said, and it appears that the Reagan administration is uncertain about what to do next.

CIA Director William J. Casey is considering the possibility of asking another country, such as Saudi Arabia, to send money to the Contras until the funding problem is solved, according to one well-placed source, but no decisions have been made.

Casey is viewed inside the CIA as the primary moving force behind the secret war against Nicaragua and the controversial mining of its harbors.

"Casey cooked this whole thing up," one informed source said.

But Casey's enthusiasm for the covert operation in Nicaragua is not widely shared among senior CIA officials despite Casey's popularity because of the greatly increased funding he has secured for the agency.

John N. McMahon, the CIA's No. 2 man, who has 33 years of experience, believed from the beginning that the Nicaraguan operation was ill-conceived, according to an official familiar with his thinking.

"John just knew it would come to this where there would not be enough public and congressional support and we'd withdraw," the official said.

McMahon reportedly has argued that, after the American intelligence community scandals of the 1970s, it is now a time to rebuild the CIA's intelligence-gathering capabilities rather than risk more damage to it with uncertain covert operations.

ever personal opinions, McMahon may have voiced about specific operations in staff discussions, he is not opposed to any CIA operations. Several sources said the mining of Nicaragua was not intended to stop the flow of arms from the Sandinistas to leftist rebels in nearby El Salvador, which is one the justifications that Congress has been given for the covert operation against Nicaragua.

"It's harassment pure and simple," said one administration official, "and designed to keep them busy, a diversion."

The State Department has issued a legal opinion, circulated in the Senate Select Committee on Intelligence, saying the harbor mining is "self-defense" and designed to stem the unlawful flow of arms. A senior administration official said yesterday, "unfortunately it's bulls—" and would add to the perception that one hand of the administration does not know what the other is doing.

Administration sources said that attacks by the CIA-supported anti-Sandinista guerrillas have had a serious impact on the Nicaraguan economy but have not slowed the flow of arms into El Salvador.

"It went down after Grenada [the Caribbean island] but it's now going up and may even be higher," said one source familiar with estimates. Another source generally agreed with this assessment, but added that there have been some successes in interrupting the arms flow.

Sources said CIA analysts have concluded that the Contra guerrillas

have no chance of overthrowing the Sandinista government in Nicaragua, which has a military and police force totaling about 75,000 men.

The National Security Council has set a ceiling of 18,000 on the number of Contras the CIA may recruit, support and direct. Sources said the number of Contras now operating is 12,000 to 15,000.

Casey remains determined to fight for the requested \$21 million to continue supporting the Contras, according to administration officials. "He was the only one at the CIA saying we'd get the money," one official said yesterday.

Tuesday's 84-to-12 Senate vote condemning the mining of Nicaraguan harbors clearly had an impact at the CIA, where officials said they believed they had kept Congress well-informed, citing Casey's testimony to the Senate intelligence committee March 8 and March 13 to the effect that "mines have been placed" in the harbors.

None of the committee's members reached yesterday disputed this and some said they should have been more inquisitive. "It is as emotional an issue as we can have in our time and we are perceived to have hidden it," said one CIA official. "This is so [expletive] demoralizing."

The mines have damaged several ships and, according to one intelligence report, caused injuries, including broken bones, for a few seamen. The Nicaraguan fishing boats that recently were damaged by the mines were trying to sweep the mines out of channels when they exploded, according to one report.